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YEAHKA LIMITED

移卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9923)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of YEAHKA LIMITED (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2021 together with the comparative figures for the six months ended June 30, 2020. These interim results have been reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “Yeahka”, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY OPERATING DATA

	For the six months ended June 30, 2021	For the six months ended June 30, 2020	Year on year change (%)
One-stop Payment Services			
Number of active payment service merchants ⁽¹⁾ (<i>thousand</i>)	6,129	4,692	30.6
Number of consumers served via payment services (<i>thousand</i>)	822,445	491,865	67.2
Technology-enabled Business Services			
Number of technology-enabled business service customers (<i>thousand</i>)	1,689	585	188.9

Note:

(1) We define active payment service customers as merchants who use our services for an aggregated transaction amount of over RMB1,000 for the past 12 months.

KEY FINANCIAL DATA

	Six months ended June 30,		Year on
	2021	2020	year
	<i>RMB'000</i>	<i>RMB'000</i>	change
	(unaudited)	(unaudited)	(%)
Revenue	1,402,464	1,077,090	30.2
— One-stop payment services	1,044,240	885,110	18.0
— Technology-enabled business services	358,224	191,980	86.6
— SaaS digital solutions ⁽¹⁾	27,337	11,669	134.3
— Marketing services	243,218	144,324	68.5
— Fintech services	42,724	35,987	18.7
— In-store e-commerce services	44,945	—	N/A
Gross profit	348,119	330,955	5.2
Gross margin	24.8%	30.7%	(5.9) ⁽²⁾
Profit for the period	291,073	222,641	30.7
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
— Basic	0.71	1.07	
— Diluted	0.69	0.33	

Note:

(1) As part of our efforts in expanding the coverage of our SaaS offerings to merchants, we have repositioned our merchant SaaS products to SaaS digital solutions.

(2) Percentage points.

Total revenue for the period increased by 30.2% from RMB1,077.1 million for the six months ended June 30, 2020 to RMB1,402.5 million, and our profit for the period increased by 30.7% from RMB222.6 million for the six months ended June 30, 2020 to RMB291.1 million for the comparative period in 2021, primarily due to the recovery of one-stop payment services from the impact of COVID-19 (the “**Pandemic**”) and the significant growth in technology-enabled business services.

Revenue from our one-stop payment services increased by 18.0% from RMB885.1 million for the six months ended June 30, 2020 to RMB1,044.2 million for the comparative period in 2021, primarily due to the increase in the total gross payment volume (“**GPV**”) we processed from RMB634.6 billion for the six months ended June 30, 2020 to RMB990.4 billion for the comparative period in 2021 as a result of our resilient recovery from the Pandemic.

Revenue from our technology-enabled business services increased by 86.6% from RMB192.0 million for the six months ended June 30, 2020 to RMB358.2 million for the comparative period in 2021 as a result of the rapid growth in our SaaS digital solutions, marketing services and in-store e-commerce services.

BUSINESS REVIEW AND OUTLOOK

About Yeahka

Yeahka is a leading payment-based technology platform dedicated to creating value for merchants and consumers. The Company was listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in June 2020 under stock code 09923.HK. The Company’s vision is to build a commercial digitalized ecosystem to enable seamless, convenient and reliable payment transactions among merchants and consumers, and to further provide a rich portfolio of diversified technology-enabled business services, including (i) SaaS digital solutions, which help customers improve their operating efficiency; (ii) precision marketing services, which allow customers to effectively reach their target markets; (iii) fintech services, which satisfy customers’ diversified financing needs; and (iv) in-store e-commerce services, which help merchants to increase sales and consumers to enjoy local lifestyle discount benefits.

Business Highlights and Summary

In the first half of this year, the gradual recovery of China’s economy brought a great business opportunity for the Company to facilitate the business expansion from mobile payment to digitalized technology-enabled business services. We have also satisfied diversified needs of our merchants and consumers through our innovative endeavors. Firstly, regarding our development of payment services as the foundation of growing the merchant and consumer user base, we continued our effort to diversify distribution channels, forge industry alliances and execute effective marketing initiatives. Adhering to our “Start From Payment, Go Beyond Payment” development strategy, we continuously create additional values beyond payment for our merchants and consumers. On the merchant front, the number of active payment service merchants increased by 30.6% year-on-year to approximately 6.13 million, and the peak daily count of QR code payment transactions increased to nearly 42.0 million. For the consumer ecosystem, we focused on offline payment services scenario with small and high-frequency purchases. The number of consumers via payment services through the consumer ecosystem grew by 67.2% year-on-year to 822.4 million. We further developed innovative services to cater for the needs of mobile payment and technology-enabled business services of merchants and consumers. Secondly, on the development of commercial digitalization, we focused on improving the operating efficiency of our merchants. To achieve this, we continued to optimize the self-developed SaaS digital solutions and upgraded the stores’ economic model through a series of modules. We not only helped the merchants to improve their brand awareness with our marketing services, but were also dedicated to improving their sales directly. To achieve this, we upgraded our services and established the in-store e-commerce service. Merchants can easily create various forms of promotions to connect millions of consumers through our online and offline sales network.

The scale of merchants and consumers traffic within our ecosystem has continuously fueled the rapid growth of technology-enabled business services. For the six months ended June 30, 2021 (the “**Reporting Period**”), the number of technology-enabled business service customers reached approximately 1.69 million, representing a year-on-year increase of 188.9%. It contributed 43.5% of the Company’s gross profit, up from 34.9% in the same period of 2020. Leveraging our self-developed Data Management Platform (“**DMP**”) and Ad Exchange (“**ADX**”) platform, we have precisely matched advertisers from various industries with online and offline traffic through programed transactions and other methods to maximize the effectiveness of advertisement placement and media monetization. In addition, we are committed to continuously enriching the product portfolio of digital solutions for merchants, increasing penetration rate of users and cultivating user habits of small and micro merchants through cost effective products and services,

as well as enhancing offline customer acquisition of merchants by launching a precision marketing expansion pack for merchants in the first half of this year. As for the fintech services, in response to the national policies and guidelines for supporting small and micro sized merchants for the rapid operation resumption in the post-Pandemic period, we have maintained our compliance operation and realized an increase in the total number of transactions that the Company facilitated of RMB537.3 million. In respect of developing the consumer ecosystem, we have set up the in-store e-commerce service department to provide value-for-money quality local lifestyle services for consumers, while enhancing the connection between merchants and the consumer ecosystem. During the Reporting Period, the number of paid consumers of in-store e-commerce service exceeded approximately 1.42 million.

Payment Services

Since 2021, the total GPV of our payment services has recorded significant growth and exceeded RMB990.41 billion, representing a year-on-year increase of 56.1%. Of which, app-based payment services GPV increased by 72.9% year-on-year, accounting for 61.8% of total GPV, up from 55.8% in the same period last year. Nevertheless, as there is still room for growth in terms of market penetration of the overall offline aggregate payment, we are of the view that it has substantial opportunity to expand our merchant base. According to the iResearch report, the market scale of third-party mobile payment in China will reach RMB456.2 trillion in 2025, representing a compound growth rate of 12.9% from 2020 to 2025. Merchant traffic serves as the foundation of our commercial digitalized ecosystem and provides an anchor for technology-enabled services, and consumer insight and coverage. Therefore, we offered more attractive take rate policy during the Reporting Period, and adjusted channel commission sharing mechanism accordingly, to ensure distributors remain incentivized to continuously serve small and micro sized offline merchants according to our enterprise-level standards.

During the Reporting Period, the number of active payment service merchants approximately 6.13 million, up 30.6% year-on-year, and the number of consumers via payment services increased by 67.2% year-on-year to 822.4 million, driving a 18.0% year-on-year increase of payment services revenue to over RMB1.04 billion. The peak daily count of QR code payment transactions was nearly 42.0 million. The significant increase in transaction volume and the base of merchant and consumer demonstrated our capacity of processing over 100 million transactions daily with the best system stability and our effective expansion strategy.

Through a prudent monitoring mechanism, we have established a tiered channel network, spreading across 30 provinces and 324 cities nationwide. As of June 30, 2021, we have collaborated with over 13,000 independent sales agents and partners, and more than 1,300 SaaS partners. Meanwhile, leveraging the nationwide branch network and the abundant merchant resources of joint stock banks, urban and rural commercial banks, we co-developed a merchant payment service system and jointly provided bank card acquiring services with these banks. Efforts were also made to help these banks maintain their merchant accounts, establish merchant payment channels and provide technology-enabled business services for merchants. As of June 30, 2021, we have shared merchant resources with 63 banks, providing us with more diversified channels to acquire merchants for its payment business.

In terms of emerging payment methods, the People's Bank of China took the lead in launching the digital currency pilot program in 2020, and recently published the "White Paper of Digital Currency R&D Progress in China", to continuously advance the pilot work in a steady and orderly manner. Since 2020, we have been promoting digital currency jointly with commercial banks to meet the market need and expand the coverage of payment services. Meanwhile, our dedicated

team has accelerated breakthroughs regarding the key technologies of digital currency in the fields of mobile payments and terminal safety, including transaction interface, e-wallet management, innovative APPs which are based on e-wallets and financial IC cards, combination and utilization of blockchain and digital currency, as well as digital currency chip cards. These pilot initiatives have been jointly carried out with various banks in different cities.

Seasonality

During the Chinese New Year, our offline merchants typically close their offline stores temporarily as they return to their hometown, resulting in lower GPV for the first quarter. While this seasonality has brought cyclical impacts on our results for the first half of the year, our rapid growth has largely offset the impacts.

SaaS Digital Solutions

Industrial digitalization is an emerging trend of the economy. Our SaaS platform provides merchants with differentiated products, meeting enterprise-level standards and functionality. As part of our efforts in expanding the coverage of our SaaS offerings to merchants, thereby more comprehensively cater to their needs across industry value chains, we have repositioned our merchant SaaS products to SaaS digital solutions. We emphasized the enhancement of the operating efficiency of merchants. To achieve this, we continuously optimize our self-developed SaaS digital solutions, upgrade the store's economic model through a series of modules such as orders management, inventory control, CRM and other digital solutions for the daily operations.

During the Reporting Period, SaaS digital solutions recorded revenue of RMB27.337 million, representing a year-on-year increase of 134.3%. Our continued investment in deep industry cultivation and product innovation has been driving the conversion of paid merchants to SaaS users. The Company rapidly expanded its loyal user base by cultivating the digital habits of tens of thousands of offline merchants with low penetration rate through a lower fee threshold. Our software design can easily achieve fast initial configuration and new staff training through automatic and intuitive approach. All of the SaaS modules are placed on our one-stop platform with easy access through WeChat mini programs and APPs. Therefore, most of users are self-registered in our platform to use our SaaS modules, which have a great effect to consolidate our commercial digitalized ecosystem with lower customer acquisition cost.

In terms of industry coverage, we further optimized our industry chain, covering fields such as catering, retail, fresh food, tea and beverage, clothing, maternal and infant supplies, and others. In terms of production development, we have been committed to production development, optimization and upgrade to effectively eliminate the pain points of merchants. Merchants from different industries can flexibly structure their solutions through the combination of modules from our SaaS digital solutions. For example, the number of merchant users of “Yuehuiquan (約惠圈)”, a coupon aggregation and distribution platform built upon blockchain's underlying technology, increased by 156.9% to 144,000 as compared to that in the first half of the year. Moreover, the number of merchant users of “Juhuisaosao (聚惠掃掃)”, a smart payment module to significantly reduce a merchant's order delays and omissions during peak periods, increased by 143.7% to 154,000 as compared to that in the first half of the year. During the Reporting Period, we officially launched a precision marketing expansion pack. Together with the guidance from our local product experts, we have created discount packages promotion for merchants to list on our in-store e-commerce platform. Notably with our offline sales network, merchants can precisely acquire offline private traffic and retain these consumers into repeat buyers online.

In June 2021, Fushi Technology (Shenzhen) Co., Ltd. (深圳市富匙科技有限公司 (“**Fushi**”)), an associate of the Group, has reached an agreement with Shenzhen Zhizhanggui Cloud Service Co., Ltd. (深圳市智掌櫃雲服務有限公司) (“**Zhizhanggui**”) and Shenzhen Leshou Cloud Technology Co., Ltd. (深圳市樂售雲科技有限公司), both indirect wholly-owned subsidiaries of the Company, to acquire Zhizhanggui. The disposal enabled the Company to focus on asset-light and industry agnostic digital solutions. As an important member in the digital business ecosystem of the Company, Fushi will continue to strengthen its cooperation with the Company in the SaaS segment. The nationwide offline channel of Fushi also allows multi-dimensional cross-marketing.

Precision Marketing

Our precision marketing business provides technology services based on the global mobile Internet ecosystem. With an aim to improve the revenue of merchants, we optimized our existing marketing services. In addition to bringing values to merchants through traffic support, it is more important to help merchants improve marketing effectiveness directly. Therefore, we increased the interaction between merchants and consumers to improve the operating results of merchants. In the future, we will continue to capitalize on our access to massive paid consumers to create greater values for merchants. As a precision marketing platform, we strive to provide advertisers with diversified omni-channel performance advertising services. We also help various offline-based traffic scenarios and online mainstream media to achieve higher fill rates and bid prices for their advertising inventories, thus improving the overall profitability.

We have had years of industry experience and built up advantages in traffic and data management through payment business, enabling us to reach massive offline transaction scenarios nationwide. The peak daily count of QR code payment transactions, one of our proprietary traffic sources, has reached nearly 42.0 million during the Reporting Period, combining third-party advertising inventories from dozens of offline scenarios such as food and beverage, retail, parking, refueling, ticketing, bike-sharing, charging stations, and tourist attractions through ADX platform. “Juliang (聚量)”, our DMP, can generate multi-dimensional user tags, build predictive models, and automatically generate real-time recommendations through programed transactions and other means based on the needs of advertisers, to optimize the effectiveness of precise advertisement placements. Advertisers we served from the insurance, e-commerce, and online services industries have substantial demand for advertising with mainstream online media in addition to offline scenarios. By acquiring and integrating Beijing Chuangxinzhong Technology Co., Ltd. (“**Beijing Chuangxinzhong**”) (北京創信眾科技有限公司), our media resources have further extended to Tencent, TouTiao and Kuaishou, which allows our DMP to expand data collection related to user habits and preferences so as to have more details of user profiles. In addition, we further enhanced key opinion leader development, branding live streaming and short video creation and deepen the marketing cooperation with advertisers, and nearly 30,000 short videos were produced by us during the Reporting Period. We are currently providing full business chain closed-loop services of Internet big data analysis, marketing strategy formulation, innovative content production, media advertising and marketing effect monitoring and optimization.

During the Reporting Period, revenue from precision marketing services was over RMB240 million, representing a year-on-year increase of 68.5%. The number of advertisers increased to 1,607, representing a year-on-year growth of 26.1%. The average revenue per user (ARPU) increased to RMB151,000, representing a year-on-year growth of 35.5%. The expansion of traffic base enabled us to attract more advertisers while increasing budget of advertisement placement. With the increase in traffic and user data, rapid automatic upgrade has been achieved through deep learning models and dynamic creative optimization. We recorded data processing volume of over 200T and requests of over 10 billion per day from 26 million merchants, covering 900 million users. The parameter size of our service model exceeded 100 million, and the number of end users’ features was over 3,000.

With the continuous expansion of the mobile Internet ecosystem, the personalized demands of online users and the trend of decentralization of mobile Internet ecosystem will facilitate the trend of traffic fragmentation and diversification. We will continue to expand offline transactions proprietary payment data and consolidate third party traffic to offer marketing technologies through DMP to create values for users of the commercial digitalized ecosystem.

Fintech Services

According to our understanding of the financial needs of merchants and consumers, we have further expanded our fintech business prudently to include loan facilitation services, entrusted loan services, small-sized loan and insurance referral services. In response to the post-Pandemic economy, we continued to increase the funding in infrastructure development and further improved the credit risk management model by using big data and artificial intelligence tools in order to maintain sound operation. We have developed a credit asset assessment system that integrates data, business experience and business analysis capabilities. Our credit risk model is capable of intelligently analyzing over 3,600 proprietary and third-party variables.

As the government further encourages and promotes inclusive finance and “small-store economy”, we have cooperated with licensed financial institutions in digital commercial ecosystem to meet the short-term financing needs of merchants and consumers for rapid recovery after the Pandemic. In addition, through the insurance referral services, our insurance partners provide merchants with fund security insurance or other business-related insurances to cover the capital and interest loss of the insured.

During the Reporting Period, revenue from fintech services amounted to approximately RMB42.724 million, representing a year-on-year increase of 18.7%. The total number of transactions that the Company facilitated was approximately RMB537.3 million, with a weighted average tenure of 10.2 months. Despite the growth in lending scale, the M1+ delinquency rate by vintage (over 30 days overdue) of our fintech services has remained at a relatively low level of 3.8% in the industry since the second quarter of 2020, generating more sustainable risk-adjusted revenue for us. Moreover, our application for financing guarantee license has obtained the official approval from relevant administration authority of China, enabling us to further reduce financing costs, expand business scope, strengthen the business synergy and enhance the strategic development of fintech business. In addition, during the Reporting Period, we have jointly launched insurance referral services with insurance companies, such as fund security insurance and deferred payment insurance, which maintained steady growth.

In-store E-commerce

We have access to massive users through payment platform. Merchants utilized our platform to improve interaction with consumers to promote sales while consumers can enjoy more local lifestyles discount benefits more conveniently. Hence, we have newly established in-store e-commerce service platform, a business that is upgraded from our marketing services to create direct sales growth for our merchants. Since its trial operation in the second half of 2020, it has been widely used by merchants and consumers.

According to iResearch report, the market size of local lifestyle services in China amounted to RMB19.5 trillion in 2020, which will increase to RMB35.3 trillion by 2025. The online penetration rate of local lifestyle services will also increase from 24.3% in 2020 to 30.8% in 2025. As a new channel of our commercial digitalized services, this business which is highly scalable with low existing market penetration rate enjoys huge market opportunities.

In respect of the supply side of our in-store e-commerce service platform, we have capitalized on our merchant resources under the payment business to extend the coverage to nearly 10,000 local merchants nationwide. Based on the analysis of local customer preferences under the big data system of the payment business, merchants from various industries, such as hot pot, barbecue and restaurants, are able to design discount packages under the guidance of our local product experts in order to fulfill the needs of consumers and launch on the in-store e-commerce service platform. At the same time, we also help merchants precisely drive consumer traffic with our payment and SaaS sales network. The online plus offline coverage helps the merchants to improve their sales directly.

We have gradually opened up our platform to our payment services. During the Reporting Period, the number of paid consumers was more than 1.42 million and the GMV from the platform exceeded RMB71.0 million. The Company further optimized and upgraded user tag algorithm model according to the consumption preference of users. Customized and cost-effective lifestyle services were also provided through diversified marketing methods for extensive consumer coverage. During the Reporting Period, revenue of in-store e-commerce service amounted to RMB44.945 million.

Our in-store e-commerce service further deepens the connection between merchants and consumers in our ecosystem, and is another important product application developed with the payment business as an entry point, in addition to SaaS digital solutions, precision marketing and fintech services. Going forward, in-store e-commerce service will continue to empower merchants and bring consumers with local lifestyle services of more benefits, greater convenience and better quality.

Outlook

We are committed to establishing a commercial digitalized ecosystem with strong self-reinforcing network effect. Based on its favorable initiatives for different brands, merchants, consumers, marketing personnel, advertisers and other participants, we conduct cross-selling for participants across the entire ecosystem to maximize monetization and facilitate the growth and success of the digital economy. In the future, we will continue to explore the value of traffic and data in the ecosystem led by our experienced production and research team in order to extend the boundaries of our business and promote technology innovation and digital solutions among merchants and consumers. We will also strive to become an integrated Internet service provider and create sustainable long-term value for shareholders, employees and society.

Share Purchase

Subsequent to the Reporting Period, pursuant to the RSU scheme (the “**RSU Scheme**”) adopted by the Company on August 1, 2019, the Company has decided pay an amount of no more than US\$100 million to the trustee of the RSU Scheme to purchase shares of the Company on market from time to time. Shares of the Company so purchased will be used as awards for the participants in the RSU Scheme. This is a testament to our confidence in the Company’s growth strategy, and is also in line with our continuous efforts to retain and motivate key employees, which is core in driving our future success. Please refer to the Company’s announcement dated July 20, 2021 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2021

	For the six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	1,402,464	1,077,090
Cost of revenue	(1,054,345)	(746,135)
Gross profit	348,119	330,955
Selling expenses	(88,699)	(30,454)
Administrative expenses	(130,910)	(94,001)
Research and development expenses	(107,711)	(55,554)
Impairment losses on financial assets	(27,122)	(32,845)
Other income	11,440	7,385
Gain on disposal of equity interest in former subsidiaries	332,172	—
Other gains — net	23,412	1,894
Operating profit	360,701	127,380
Finance costs	(7,199)	(4,587)
Share of losses of investments accounted for using the equity method	(5,540)	(4,265)
Fair value changes of convertible redeemable preferred shares	—	125,822
Profit before income tax	347,962	244,350
Income tax expenses	(56,889)	(21,709)
Profit for the year	291,073	222,641
— Attributable to non-controlling interests	(11,673)	—
— Attributable to equity holders of the Company	302,746	222,641

Revenue

We generate revenue primarily through our two main types of business, namely (i) one-stop payment services and (ii) technology-enabled business services. Our revenue increased by 30.2% from RMB1,077.1 million for the six months ended June 30, 2020 to RMB1,402.5 million for the comparative period in 2021, primarily due to the recovery of one-stop payment services from the impact of the Pandemic and the significant growth in technology-enabled business services.

The following table sets forth our revenue by business type for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Revenue from one-stop payment services				
	1,044,240	74.5	885,110	82.2
App-based payment services	724,811	51.7	658,576	61.1
Traditional payment services	319,429	22.8	226,534	21.0
Revenue from technology-enabled business services				
	358,224	25.5	191,980	17.8
SaaS digital solutions	27,337	1.9	11,669	1.1
Marketing services	243,218	17.3	144,324	13.4
Fintech services	42,724	3.0	35,987	3.3
In-store e-commerce	44,945	3.2	—	—
Total	1,402,464	100.0	1,077,090	100.0

One-stop payment services

Revenue from our one-stop payment services increased by 18.0% from RMB885.1 million for the six months ended June 30, 2020 to RMB1,044.2 million for the comparative period in 2021, primarily due to the increase in the total GPV we processed from RMB634.6 billion for the six months ended June 30, 2020 to RMB990.4 billion for the comparative period in 2021 as a result of our resilient recovery from the Pandemic.

Technology-enabled business services

Revenue from our technology-enabled business services increased by 86.6% from RMB192.0 million for the six months ended June 30, 2020 to RMB358.2 million for the comparative period in 2021 as a result of the rapid growth in SaaS digital solutions, marketing services and in-store e-commerce services.

SaaS digital solutions

As part of our efforts in expanding the coverage of our SaaS offerings to merchants, we have repositioned our merchant SaaS products to SaaS digital solutions. Revenue from our SaaS digital solutions increased significantly by 134.3% from RMB11.7 million for the six months ended June 30, 2020 to RMB27.3 million for the comparative period in 2021, primarily due to our continuing efforts in improving existing products and expanding the coverage of our SaaS solutions to more business sectors.

Marketing services

Revenue from our marketing services increased by 68.5% from RMB144.3 million for the six months ended June 30, 2020 to RMB243.2 million for the comparative period in 2021, primarily due to (i) the increase in the number of business service customers resulting from the accelerated customer conversion from active payment service customers and our enhanced monetization capability; (ii) increase of average revenue per user (ARPU), and (iii) the revenue contribution from Beijing Chuangxinzhong, which was acquired in November 2020. For further details, please refer to the Company's announcements dated December 24, 2020, December 28, 2020, April 26, 2021 and circular dated January 29, 2021.

Fintech services

Revenue from our fintech services increased by 18.7% from RMB36.0 million for the six months ended June 30, 2020 to RMB42.7 million for the six months ended June 30, 2021, primarily due to the growth of our entrusted loan, small-sized loan and loan facilitation businesses.

In-store e-commerce

We commenced to provide in-store e-commerce services in December 2020. Revenue from in-store e-commerce amounted to RMB44.9 million for the six months ended June 30, 2021.

Cost of Revenue

The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Commissions and fees	941,339	89.3	691,181	92.6
Amortization of non-current assets	23,363	2.2	30,070	4.0
Others	89,643	8.5	24,884	3.4
Total	1,054,345	100.0	746,135	100.0

Our cost of revenue increased by 41.3% from RMB746.1 million for the six months ended June 30, 2020 to RMB1,054.3 million for the comparative period in 2021, primarily due to (i) the increase in commission paid to sales agents alongside the recovery of our one-stop payment services; (ii) the increase in commission paid to marketing distribution channels and partners resulting from the rapid expansion of our marketing services and the commencement of in-store e-commerce services, and (iii) the increase in cost in relation to SaaS digital solutions and digital goods-related services as a result of business expansion and the increase in the marketing costs.

The following table sets forth a breakdown of our cost of revenue by business type for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
One-stop payment services	847,534	80.4	669,754	89.8
Technology-enabled business services	206,811	19.6	76,381	10.2
Total	<u>1,054,345</u>	<u>100.0</u>	<u>746,135</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business type for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
One-stop payment services	196,706	18.8	215,356	24.3
Technology-enabled business services	151,413	42.3	115,599	60.2
Total	<u>348,119</u>	<u>24.8</u>	<u>330,955</u>	<u>30.7</u>

Our gross profit increased by 5.2% from RMB331.0 million for the six months ended June 30, 2020 to RMB348.1 million for the comparative period in 2021 as a result of the growth in one-stop payment services and technology-enabled business services. Our gross profit margin decreased from 30.7% for the six months ended June 30, 2020 to 24.8% for the comparative period in 2021, primarily due to (i) the decrease in gross profit margin of our one-stop payment services from 24.3% for the six months ended June 30, 2020 to 18.8% for the comparative period

in 2021, primarily due to the increase in commission to incentivize agents and distributors; and (ii) the decrease in gross profit margin of technology-enabled business services from 60.2% for the six months ended June 30, 2020 to 42.3% for the comparative period in 2021, primarily due to (a) our efforts to increase the market share of technology-enabled business services; and (b) the launch of in-store e-commerce services, which has a lower gross profit margin than that of our other services.

Selling Expenses

Our selling expenses increased by 191.3% from RMB30.5 million for the six months ended June 30, 2020 to RMB88.7 million for the comparative period in 2021, primarily due to (i) the increase in employee benefits, primarily due to the increase of sales and marketing headcounts of Shenzhen Leshua Shangquan Technology Co., Ltd. and Beijing Chuangxinzhong, which were acquired in November 2020; and (ii) the increase in advertising and promotion expense as a result of increased sales and marketing activities alongside the recovery of the Pandemic. Please refer to the Company's 2020 annual report for details of the acquisition of Shenzhen Leshua Shangquan Technology Co., Ltd. and Beijing Chuangxinzhong.

Administrative Expenses

Our administrative expenses increased by 39.3% from RMB94.0 million for the six months ended June 30, 2020 to RMB130.9 million for the comparative period in 2021, primarily due to (i) the increase in employee benefits primarily due to our increased headcounts; and (ii) the increase in depreciation and amortization expense primarily due to an increase in long-term assets and leasehold property.

Research and Development Expenses

Our research and development expenses increased by 93.9% from RMB55.6 million for the six months ended June 30, 2020 to RMB107.7 million for the comparative period in 2021, primarily due to (i) the increase in employee benefits as a result of our increased headcounts; and (ii) an increase in costs for system development, consulting and data validation.

Impairment Losses on Financial Assets

Our impairment losses on financial assets decreased by 17.4% from RMB32.8 million for the six months ended June 30, 2020 to RMB27.1 million for the comparative period in 2021, primarily due to (i) the adjusted impairment provision of loan receivables, which increased as a result of the impact of the Pandemic in the first half of 2020; and (ii) the improved customer quality as a result of enhanced process of customer selection and assessment.

Other Income

Our other income increased by 54.9% from RMB7.4 million for the six months ended June 30, 2020 to RMB11.4 million for the comparative period in 2021, primarily due to the increase of approximately RMB3.5 million in VAT tax refund from Beijing Chuangxinzhong, a subsidiary acquired in November 2020.

Gain on Disposal of Equity Interest in Former Subsidiaries

For the six months ended June 30, 2021, we recorded a gain of RMB332.2 million on the disposal of 60% equity interests in Zhizhanggui.

Other Gains — Net

We recorded other gains — net of RMB23.4 million for the six months ended June 30, 2021, which primarily comprise of gains on financial assets/liabilities at fair value through profit or loss. We recorded other gains — net of RMB1.9 million for the six months ended June 30, 2020, which was primarily attributable to our currency translation gains and gains on financial assets at fair value through profit or loss.

Operating Profit

As a result of the foregoing, we recorded operating profit of RMB127.4 million for the six months ended June 30, 2020 and RMB360.7 million for the comparative period in 2021.

Finance Costs

Our finance costs increased by 56.9% from RMB4.6 million for the six months ended June 30, 2020 to RMB7.2 million for the comparative period in 2021 primarily due to the increase in the interest expenses in the first half of 2021.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method increased by 29.9% from RMB4.3 million for the six months ended June 30, 2020 to RMB5.5 million for the comparative period in 2021, primarily due to certain of our associates incurred losses in the first half of 2021.

Fair Value Changes of the Preferred Shares

We recognized gains from fair value changes of the preferred shares of RMB125.8 million for the six months ended June 30, 2020 primarily due to the difference between the fair value of the preferred shares as of December 31, 2019 based on independent valuer's best estimate and that as of June 1, 2020, the date on which the preferred shares were converted into ordinary shares upon the listing of our shares on the Hong Kong Stock Exchange on June 1, 2020 (the "**Listing**"), based on the best estimate from market participants' perspective.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 42.4% from RMB244.4 million for the six months ended June 30, 2020 to RMB348.0 million for the comparative period in 2021.

Income Tax Expenses

Our income tax expenses increased by 162.1% from RMB21.7 million for the six months ended June 30, 2020 to RMB56.9 million for the comparative period in 2021. Our effective tax rate was 16.3% for the six months ended June 30, 2021 primarily due to (i) the enterprise income tax levied on two of our profitable entities being qualified as “High and New Technology Enterprise”; and (ii) the corporate income tax exempted or deducted on three of our profitable entities being qualified as “Software Enterprise”. The effective tax rate in the six months ended June 30, 2020 was 8.9%, primarily because gains from fair value changes of the preferred shares which was not subject to income taxes.

Profit for the Period

As a result of the foregoing, our profit increased by 30.7% from RMB222.6 million for the six months ended June 30, 2020 to RMB291.1 million for the six months ended June 30, 2021.

Non-IFRS Measures

We adopt the adjusted net profit, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measures facilitate comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that the non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and the investors and shareholders of the Company (the “**Shareholders**”) should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit as profit for the period adjusted by adding (i) fair value changes of the preferred shares; (ii) share-based compensation expenses; and (iii) listing expenses. The following table illustrates reconciliations to our adjusted net profit from our profit for the periods indicated:

	For the six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Profit for the period	291,073	222,641
Add:		
Fair value changes of the preferred shares	—	(125,822)
Share-based compensation expenses	27,030	7,000
Listing expenses	—	27,496
	<hr/>	<hr/>
Adjusted net profit	318,103	131,315

Adjusted Net Profit

Our adjusted net profit for the period increased by 142.2% from RMB131.3 million for the six months ended June 30, 2020 to RMB318.1 million for the comparative period in 2021, primarily due to (i) the growth of our technology-enabled business services, which has a higher profit margin as compared to one-stop payment services; and (ii) the gain on disposal of 60% equity interests in Zhizhanggui.

Capital Structure

Our total assets increased from RMB5,623.4 million as of December 31, 2020 to RMB5,777.3 million as of June 30, 2021. Our total liabilities decreased from RMB2,456.5 million as of December 31, 2020 to RMB2,255.5 million as of June 30, 2021. Liabilities-to-assets ratio decreased from 43.7% as of December 31, 2020 to 39.0% as of June 30, 2021.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 2.16 as of December 31, 2020 to 2.25 as of June 30, 2021.

Liquidity, Capital Resources and Gearing

For the six months ended June 30, 2021, we financed our operations primarily through cash generated from business operations, bank borrowings and capital contributions from our Shareholders. Our cash and cash equivalents decreased by 16.4% from RMB2,542.3 million as of December 31, 2020 to RMB2,126.3 million as of June 30, 2021, primarily attributable to the expenditure in operation activities.

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, increased from 6.7% as of December 31, 2020 to 7.5% as of June 30, 2021, primarily attributable to the increased balance of borrowings as of June 30, 2021.

Capital Expenditures

Our capital expenditures primarily consist of payments for purchasing property, plant and equipment, intangible assets and payment terminals. Our total capital expenditures increased by 749.8% from RMB12.0 million for the six months ended June 30, 2020 to RMB101.7 million for the six months ended June 30, 2021.

Indebtedness

Our indebtedness mainly includes interest-bearing bank borrowings. The following table sets forth a breakdown of our interest-bearing borrowings, lease liabilities and other payables due to creditors as of the dates indicated:

	As of June 30, 2021 <i>RMB'000</i> (unaudited)	As of December 31, 2020 <i>RMB'000</i> (audited)
Non-current		
Lease liabilities	18,633	31,723
Current		
Bank borrowings (unsecured with guarantee)	265,400	211,000
Lease liabilities	24,717	23,845
Other payables — payable to creditors	—	6,582
Total	308,750	273,150

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of June 30, 2021, we did not pledge any of our assets.

Foreign Exchange Risk and Hedging

As we operate mainly in the PRC with most of the transactions settled in RMB, we consider that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than the respective functional currencies of our Group's entities. We do not use any derivative contracts to hedge against our exposure to foreign exchange risk. We manage currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Material Acquisitions and Disposals and Future Plans for Major Investments

On December 24, 2020, the Company as the purchaser, Source Winner Limited, Bright Usening Limited, Better One Limited, Nice Globe Limited and Summer.A Limited (collectively, the “**Vendors**”), and certain other parties thereto entered into a share purchase agreement, pursuant to which the Company has agreed to purchase, and the Vendors have agreed to sell sale shares representing the entire issued share capital of the CHUANGXINZHONG LTD, at a total consideration of RMB170,000,000. The consideration shall be settled by (i) payment of RMB15,000,000 in cash; and (ii) the allotment and issue of 4,902,718 shares of the Company to the Vendors at the issue price of HK\$37.50 per share. On April 23, 2021, the acquisition had been completed. For further details, please refer to the Company’s announcements dated December 24, 2020, December 28, 2020, April 26, 2021 and circular dated January 29, 2021.

On June 28, 2021, Shenzhen Leshou Cloud Technology Co., Ltd* (深圳市樂售雲科技有限公司) as the vendor and Zhizhanggui, both indirect wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with Fushi Technology (Shenzhen) Co., Ltd *(深圳市富匙科技有限公司), as the purchaser, an associated company of the Company, in relation to a disposal of Zhizhanggui’s 60% equity interests by the vendor to the purchaser at an aggregate consideration of RMB201,922,800. The consideration shall be settled by (i) payment of RMB100,000,000 in cash; and (ii) the issue of shares in the said purchaser representing registered share capital of RMB2,292,986 to the vendor. Completion of the disposal is subject to satisfaction of the conditions precedent under the sale and purchase agreement. After the disposal, Zhizhanggui will cease to be a subsidiary of the Company. Further details of the above disposal were set out in the announcements of the Company dated May 10, 2021 and June 28, 2021.

Save as disclosed above, we did not conduct any material investments, acquisitions or disposals during the six months ended June 30, 2021. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated May 20, 2020, we have no specific plan for major investment or acquisition for major capital assets or other businesses. However, we will continue to identify new opportunities for business development.

Significant Events After the Reporting Period

There are no material events subsequent to June 30, 2021 which could have a material impact on our operating and financial performance as of the date of this announcement.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: Nil).

Company Information

The Company was incorporated in the Cayman Islands on September 8, 2011 as an exempted company with limited liability, and the shares were listed on the Main Board of the Hong Kong Stock Exchange on June 1, 2020.

Employees

As of June 30, 2021, we had a total of 1,199 employees, substantially all of whom were based in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

RSU SCHEME

The RSU Scheme was adopted by the Company on August 1, 2019. The RSU Scheme will be valid and effective for a period of ten years, commencing from the date of the first grant of the RSUs, being August 1, 2019. Further details of the RSU Scheme are set out in “Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme” in Appendix IV of the Prospectus.

Details of the RSUs granted under the RSU Scheme and the movements in RSUs during the six months ended June 30, 2021 are set out below:

Name of RSU grantee	Position held with the Group	Number of Shares represented by RSUs as at January 1, 2021	Granted during the period	Date of grant	Vested during the period	Cancelled during the period	Lapsed during the period	Number of Shares represented by RSUs as at June 30, 2021
Directors of the Company								
Luo Xiaohui	Executive Director of the Company, and chief architect of the Company and Shenzhen Yeahka	1,000,000	—	January 1, 2018	500,000	—	—	500,000
Other connected persons of the Group								
Ren Yangbin	Executive director of Shenzhen Feiquan	60,000	—	August 1, 2019	—	—	—	60,000
Other employees of the Group								
44 other employees of the Group		3,083,000	—	January 1, 2018 and August 1, 2019	310,000	—	—	2,773,000
6 other employees of the Group		—	390,000	January 7, 2021	—	—	—	390,000
Total		4,143,000	390,000		810,000	—	—	3,723,000

Details of movements in the RSUs granted under the RSU Scheme are also set out in note 19 to the unaudited financial report.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on October 13, 2020. The purpose of the Share Option Scheme is to attract, retain, and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Share Option Scheme remains valid for a period of ten years commencing on October 13, 2020. Further details of the Share Option Scheme were set out in the circular of the Company dated September 24, 2020.

The table below sets out the movements of the share options of our Company during the period from January 1, 2021 to June 30, 2021 granted under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2021	Granted during the period	Date of grant	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at June 30, 2021	Exercise price (HKD per Share)	Vesting period	Exercise period
Directors of the Company										
Yao Zhijian	—	300,000	January 7, 2021	—	—	—	300,000	44.20 ⁽¹⁾	January 7, 2022 – January 7, 2025	January 7, 2021 – January 6, 2031
Luo Xiaohui	—	100,000	January 7, 2021	—	—	—	100,000	44.20 ⁽¹⁾	January 7, 2022 – January 7, 2025	January 7, 2021 – January 6, 2031
Other employees of the Group										
112 other employees of the Group	—	4,186,000	January 7, 2021	—	75,000	—	4,111,000	44.20 ⁽¹⁾	January 7, 2022 – January 7, 2025	January 7, 2021 – January 6, 2031
68 other employees of the Group	—	2,000,000	May 12, 2021	—	—	—	2,000,000	58.60 ⁽²⁾	May 12, 2022 – May 12, 2025	May 12, 2021 – May 11, 2031
Total	—	6,586,000		—	75,000	—	6,511,000			

Notes:

- (1) Being the highest of (i) HK\$44.20 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HK\$39.45 per Share, the closing price of the Shares immediately before the date on which the options were granted, and (iii) US\$0.000025 per Share, the nominal value.
- (2) Being the highest of (i) HK\$52.75 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HK\$58.60 per Share, the closing price of the Shares immediately before the date on which the options were granted, and (iii) US\$0.000025 per Share, the nominal value.

As of June 30, 2021, 75,000 share options granted on January 7, 2021 had been cancelled, and the remaining 4,511,000 share options granted on the same date were unvested. As of June 30, 2021, all the 2,000,000 share options granted on May 12, 2021 were unvested. Further details of the grants were set out in the announcement of the Company dated January 7, 2021 and May 12, 2021.

As of June 30, 2021, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 6,511,000, representing 1.44% of the shares of the Company in issue at that date. The total number of Shares available for issue under the Share Option Scheme was 42,545,507, representing 9.41% of the total number of Shares in issue as at the date of this announcement.

Further information of the Share Option Scheme and the value of share options granted are set out in note 19 to the unaudited interim financial report.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Hong Kong Stock Exchange on June 1, 2020. The net proceeds (after deducting underwriting fees and commissions and other expenses paid and payable by the Company in connection with the initial public offering) raised during our initial public offering amounted to approximately HKD1,698.8 million. The following table sets forth the status of the use of net proceeds from the initial public offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Actual usage for the six months ended June 30, 2021 (In HKD millions)	Actual usage up to June 30, 2021 (In HKD millions)	Unutilized net proceeds as at June 30, 2021 (In HKD millions)	Expected timeline for utilizing the remaining net proceeds
Implementing sales and marketing initiatives in China and overseas markets	20.0	339.7	95.5	162.7	177.0	By the first half of 2022
Expanding our technology-enabled business services offerings	35.0	594.6	275.1	594.6	—	By the first half of 2021
Enhancing our research and technology capabilities	35.0	594.6	127.3	223.3	371.3	By the second half of 2022
Working capital and general corporate purposes	10.0	169.9	94.5	169.9	—	By the first half of 2021
Total	100.0	1,698.8	592.4	1,150.5	548.3	

Note:

(1) The figures in the table are approximate figures.

USE OF PROCEEDS FROM THE PLACING

Reference is made to the Company's announcements dated December 3, 2020, December 4, 2020, December 10, 2020 and December 17, 2020. The Group successfully raised total net proceeds (after deducting all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses) of approximately HKD778.0 million through the top-up placing of 20,795,052 shares of the Company to not less than six professional, institutional and/or individual investors at the placing price of HKD37.88 per share on December 17, 2020. The Company expected to

use HKD778.0 million of net proceeds. The following table sets forth the status of the use of net proceeds from the placing up to June 30, 2021⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the placing (In HKD millions)	Actual usage for the six months ended 30 June, 2021 (In HKD millions)	Actual usage up to June 30, 2021 (In HKD millions)	Unutilized net proceeds as at June 30, 2021 (In HKD millions)	Expected timeline for utilizing the remaining net proceeds
Developing and enhancing marketing services of the Company	25.0	194.5	106.9	106.9	87.6	By end of 2021
Investing in new initiatives which are highly complementary to the current businesses of the Company	25.0	194.5	79.2	79.2	115.3	By end of 2021
Recruiting business specialists and product managers in technology-enabled business services	15.0	116.7	16.3	16.3	100.4	By end of 2022
Strategic alliances with, investment in or acquisitions of highly complementary business service providers, including advertising platforms and SaaS developers	15.0	116.7	29.7	29.7	87.0	By end of 2022
Working capital and general corporate purposes	20.0	155.6	21.3	21.3	134.3	By end of 2021
Total	100.0	778.0	253.4	253.4	524.6	

Note:

(1) The figures in the table are approximate figures.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		For the Six months	
		ended 30 June	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Revenue	6	1,402,464	1,077,090
Cost of revenue	8	(1,054,345)	(746,135)
Gross profit		348,119	330,955
Selling expenses	8	(88,699)	(30,454)
Administrative expenses	8	(130,910)	(94,001)
Research and development expenses	8	(107,711)	(55,554)
Impairment losses on financial assets	4.2(ii)	(27,122)	(32,845)
Other income		11,440	7,385
Gain on disposal of equity interest in former subsidiaries	23	332,172	—
Other gains — net	7	23,412	1,894
Operating profit		360,701	127,380
Finance costs		(7,199)	(4,587)
Share of losses of investments accounted for using the equity method	11	(5,540)	(4,265)
Fair value changes of convertible redeemable preferred shares		—	125,822
Profit before income tax		347,962	244,350
Income tax expenses	9	(56,889)	(21,709)
Profit for the period		291,073	222,641
Attributable to:			
Equity holders of the Company		302,746	222,641
Non-controlling interests		(11,673)	—
		291,073	222,641
Earnings per share for profit attributable to equity holders of the Company (expressed in Renminbi (“RMB”) per share)			
— Basic	10	0.71	1.07
— Diluted	10	0.69	0.33

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Unaudited	
	For the Six months	
	ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	291,073	222,641
Other comprehensive loss:		
Items that will not be subsequently reclassified to profit or loss		
Currency translation differences	(10,356)	(28,784)
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(8,086)	(12,407)
Other comprehensive loss for the period, net of tax	(18,442)	(41,191)
Total comprehensive income for the period	272,631	181,450
Attributable to:		
Equity holders of the Company	284,304	181,450
Non-controlling interests	(11,673)	—
	272,631	181,450

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	74,733	65,285
Intangible assets	13	357,636	367,056
Investments accounted for using the equity method	11	115,831	24,865
Prepayments and other receivables	16	140,850	15,375
Financial assets at fair value through profit or loss	14	219,651	84,895
Other non-current assets		28,699	36,847
Deferred tax assets		20,193	15,082
		<u>957,593</u>	<u>609,405</u>
Current assets			
Other current assets		10,539	9,600
Inventories		5,152	16,220
Trade receivables	15	309,287	332,741
Prepayments and other receivables	16	1,780,710	2,098,975
Financial assets at fair value through profit or loss	14	14,196	14,133
Restricted cash		573,545	—
Cash and cash equivalents		2,126,303	2,542,316
		<u>4,819,732</u>	<u>5,013,985</u>
Total assets		<u>5,777,325</u>	<u>5,623,390</u>
EQUITY			
Share capital	17	75	73
Reserves		2,870,520	2,759,130
Retained earnings		657,568	360,584
Equity attributable to equity holders of the Company		<u>3,528,163</u>	<u>3,119,787</u>
Non-controlling interests		<u>(6,288)</u>	<u>47,068</u>
Total equity		<u>3,521,875</u>	<u>3,166,855</u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	20	3,290	11,785
Lease liabilities		18,633	31,723
Financial liabilities at fair value through profit or loss	22	80,629	77,243
Deferred tax liabilities		9,161	11,295
		<u>111,713</u>	<u>132,046</u>
Current liabilities			
Trade and other payables	20	1,745,657	2,035,399
Contract liabilities		16,589	26,508
Current tax liabilities		91,374	27,737
Lease liabilities		24,717	23,845
Borrowings	21	265,400	211,000
		<u>2,143,737</u>	<u>2,324,489</u>
Total liabilities		<u>2,255,450</u>	<u>2,456,535</u>
Total equity and liabilities		<u>5,777,325</u>	<u>5,623,390</u>

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

YEAHKA LIMITED (the “**Company**”) was incorporated in the Cayman Islands on 8 September 2011, as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, ky1-1205, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 June 2020.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), are principally engaged in the provision of payment services and technology-enabled business services to retail merchants and consumers in the People’s Republic of China (the “**PRC**”).

This condensed consolidated interim financial report for the six months ended 30 June 2021 (“**Interim Financial Information**”) is presented in RMB, unless otherwise stated. This interim financial information was approved for issue on 26 August 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as set out in the 2020 annual report of the Company dated 25 March 2021 (the “**2020 Financial Statements**”).

2.2 Amended standards adopted by the Group

The Group has adopted the following amendments to existing standards which have been adopted by the Group for the first time for the financial year beginning on 1 January 2021:

- Amendment to IFRS 16 — Covid-19 related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2
- Amendments to IFRS 4 — Extension of the Temporary Exemption from Applying IFRS 9

These amendments to existing standards did not result in significant impact on the Group’s financial position and results of operation.

2.3 New standards and amendments to existing standards not yet adopted

Standards and amendments to existing standards that have been issued but not yet effective on 1 January 2021 and not been early adopted by the Group as of 30 June 2021 are as follows:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Annual improvements	Annual Improvements to IFRS Standards 2018–2020 circle	1 January 2022
IFRS Practice statement 2 and IAS 8	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to the existing IFRSs.

3. ESTIMATES

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements in the 2020 Financial Statements.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Financial Statements. There have been no significant changes in the risk management policies since 31 December 2020.

4.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and other receivables. The Group also provided guarantees in offering loan facilitation services for loans granted by certain of the Group's loan facilitation partners. Pursuant to the terms of the guarantees, upon default in repayments by the debtors, the Group will be responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the debtors to certain of the Group's loan facilitation partners.

(i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC and Cayman Island.

For trade and other receivables, the Group has policies in place to ensure that sale of service is made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 30 June 2021, the maximum exposure arisen from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB165 million (31 December 2020: RMB68 million), being the principals and interests of the underlying loans which were granted by the Group's loan facilitation partners with terms from 3 to 12 months. As at 30 June 2021, an immaterial portion of the underlying loans from these financial guarantees were overdue and underperforming. Based on management's credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability was recognised in the Group's condensed consolidated statement of financial position as at 30 June 2021.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Other receivables

While cash and cash equivalents and deposits are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was immaterial as they were placed in reputable institutions in Hong Kong and mainland China with sound credit ratings and there has been no recent history of default in relation to these banks and financial institutions. The expected credit loss is close to zero.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days the balances are past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") of the PRC in which the Group provides its services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

On that basis, the loss allowance as at 30 June 2021 was determined as follows for trade receivables:

30 June 2021	Current	Less than 90 days past due	90–180 days past due	180–270 days past due	270–360 days past due	More than 1 year past due	Total
Expected loss rate	0.31%	5.01%	69.74%	—	—	100.00%	2.80%
Gross carrying amount	236,251	76,089	4,901	—	—	946	318,187
Loss allowance	725	3,811	3,418	—	—	946	8,900

The loss allowances for trade receivables as at 30 June 2021 reconcile to the opening loss allowances as follows:

	Unaudited For the six months ended 30 June 2021 RMB'000
At the beginning of the period	—
Provision for expected credit loss	8,900
At the end of the period	8,900

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, amongst others, include the failure of a debtor to engage in a repayment plan with the group. At 30 June 2021, there is no such indicators were noticed by managements.

Other receivables

The Group's other receivables mainly comprise amounts due from related parties, receivables from payment networks, and loan receivables. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss and lifetime expected losses. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third-party debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third-party debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

For loan receivables, the expected loss rates are determined based on the historical loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

For loan receivables, a significant increase in credit risk is presumed when they become overdue. Under such case, the loan receivables are classified as underperforming receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group writes off receivables when a debtor fails to make contractual payments/repayable demanded greater than 180 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

As at 30 June 2021 and 31 December 2020, the Group provides for ECL against loans receivables as follows:

Loan receivables	Basis for recognition of expected credit loss provision	Expected credit loss rate	As at 30 June 2021		As at 31 December 2020		
			Gross amount RMB'000	Carrying amount (net of impairment provision) RMB'000	Gross amount RMB'000	Carrying amount (net of impairment provision) RMB'000	
Loan Receivable							
— Performing	12 months expected losses	4%	538,869	519,222	3%	390,707	378,165
— Underperforming	Lifetime expected losses	68%	9,165	2,909	64%	6,223	2,215
			548,034	522,131		396,930	380,380

No significant changes to estimation techniques or assumptions were made during the six months ended 30 June 2021.

Movement on the provision for expected credit loss allowance of loan receivables are set out as follows:

	Unaudited For the six months ended 30 June 2021 RMB'000	Audited For the year ended 31 December 2020 RMB'000
At the beginning of the period/year	16,550	10,244
Provision for expected credit loss	9,892	38,189
Write off	(539)	(31,883)
At the end of the period/year	25,903	16,550

All amounts due from related parties are all repayable on demand. Except for the impairment identified in amount due from Chaomeng Financial Technology (Shenzhen) Co., Ltd (“Chao Meng”) and the full provision being made, there has been no default history in the past and the related loss allowance limited to 12 months ECL is immaterial.

During the six months ended 30 June 2021, the directors of the Company had made an additional impairment provision of approximately RMB8,330,000 against the carrying amount of balance due from Chao Meng, which resulted in an aggregate amount of impairment provision of RMB29,834,000 against the carrying amount of balance due from Chao Meng as at 30 June 2021, based on the assessment of the expected cashflows to be generated by Chao Meng in its future operations and the amounts that they would repay to the Group. The directors of the Company consider that the provision set up reflected the current best estimate on the recoverable amount of such balance up to the date of approval of the financial statements.

Receivables from payment networks are settled within several days and most of the deposits are made to payment networks or financial institution. The Group is exposed to limited credit risk from such receivable balances and there is no significant increase in credit risk since initial recognition, therefore related loss allowance limited to 12 months ECL is immaterial.

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 30 June 2021 by level of inputs adopted in the valuation techniques used for measuring fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Investment in a listed entity	14,133	—	—	14,133
Investment in unlisted entities	—	—	42,000	42,000
Contingent consideration	—	—	42,895	42,895
	<u>14,133</u>	<u>—</u>	<u>84,895</u>	<u>99,028</u>
Liabilities				
Contingent consideration	—	—	77,243	77,243
	<u>—</u>	<u>—</u>	<u>77,243</u>	<u>77,243</u>

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2021.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Investment in a listed entity	14,196	—	—	14,196
Investment in unlisted entities	—	—	163,223	163,223
Contingent consideration	—	—	55,084	55,084
Others	—	—	1,344	1,344
	<u>14,196</u>	<u>—</u>	<u>219,651</u>	<u>233,847</u>
Liabilities				
Contingent consideration and others	—	—	80,629	80,629
	<u>—</u>	<u>—</u>	<u>80,629</u>	<u>80,629</u>

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the six months ended 30 June 2020 and 2021, there was no transfer between level 1 and 2 for recurring fair value measurements. The significant unobservable inputs used to determine the fair value and the fair value changes in level 3 financial instruments are presented in Notes 14 and 22.

Valuation processes of the Group (Level 3)

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer (“CFO”). Discussions of valuation processes and results are held between the CFO and the valuation team at least twice a year.

At each half financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The carrying amounts of the Group’s financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate to their fair values due to their short maturities.

5. SEGMENT INFORMATION

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“CODM”). The Group’s CODM has been identified as the chief executive officer (“CEO”) of the Company, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a result of this evaluation, the CEO consider that the Group’s operations are operated and managed as a single segment; accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group’s non-current assets and revenues are substantially located in and derived from the PRC. Therefore, no geographical segments are presented.

6. REVENUE

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
One-stop payment services	1,044,240	885,110
Technology-enabled business services	358,224	191,980
	1,402,464	1,077,090

For the six months ended 30 June 2021, interest income from entrusted loans and small-sized retail loans amounting to RMB38,138,000 (six months ended 30 June 2020: RMB26,079,000) was included in revenue derived from technology-enabled business services. Except for interest income, revenues of the Group are recognised at a point in time according to the provision prescribed under IFRS 15.

7. OTHER GAINS, NET

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net fair value gains on financial assets and liabilities at fair value through profit or loss (Notes 14 and 22)	28,117	680
Exchange losses	(2,512)	(1,213)
Others	(2,193)	2,427
	23,412	1,894

8. EXPENSES BY NATURE

Costs and expenses included in cost of revenue, selling expenses, administrative expenses and research and development expenses mainly comprised:

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Commissions and fees	941,339	691,181
Employee benefit expenses	184,085	87,577
Raw materials and consumables	68,692	9,834
Advertising expenses	32,055	13,399
Amortization of non-current assets	23,363	30,070
Outsourcing service fees	20,990	8,538
Depreciation of property, plant and equipment	17,170	7,713
Office expenses	16,567	7,151
Amortization of intangible assets	11,063	5,242
Product research and development costs	8,389	11,655
Professional service fees	7,055	5,427
Rental expenses relating to short-term leases	5,432	5,071
Travel and transportation	3,418	1,553
Merchants identification fee	3,200	3,204
Others	38,847	38,529
	1,381,665	926,144

9. INCOME TAX EXPENSES

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax	64,134	15,789
Deferred income tax	(7,245)	5,920
	<u>56,889</u>	<u>21,709</u>

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	302,746	222,641
Weighted average number of ordinary shares in issue (in thousands) ⁽ⁱ⁾	425,142	208,834
Basic earnings per share (expressed in RMB per share)	<u>0.71</u>	<u>1.07</u>

- (i) Weighted average number of ordinary shares in issue for the year ended 30 June 2021 has been determined based on the number of shares in issue, after 4,902,718 shares issued relating to acquisition of additional equity interests in non-wholly owned subsidiaries and 3,118,696 shares transfers from restricted share scheme units to the awardees upon vesting.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Group has three categories of potential ordinary shares that may affect the calculation of diluted earnings per shares: convertible redeemable preferred shares, share options/restricted share issued to employees and returnable ordinary shares issued for the acquisition of Tuozhanbao Internet Financial Service (Shenzhen) Co., Ltd (“**Tuozhanbao**”) as mentioned in the 2020 annual report.

For the six months ended 30 June 2020, these convertible redeemable preferred shares which had potential dilutive effect to the diluted earnings per share has been converted to ordinary shares of the Company.

For the returnable ordinary shares issued in 2019 for the acquisition of Tuozhanbao as described in the 2020 annual report, only the portion of unreturnable shares was included in the calculation of diluted earnings per share as if 30 June 2021 were the ending of the contingency period.

For the six months ended 30 June 2021 and 2020, restricted share granted by the Group have potential dilutive effect to the diluted earnings per share.

After considering all of the above factors, for the six months ended 30 June 2021, the diluted earnings per share is RMB0.69 per share; while for the six months ended 30 June 2020, the diluted earnings per share is RMB0.33 per share.

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	302,746	222,641
Adjustments for the convertible redeemable preferred shares	—	(125,822)
	302,746	96,819
Weighted average number of ordinary shares in issue (in thousands)	425,142	208,834
Adjustments for returnable ordinary shares (in thousands)	10,458	3,784
Adjustments for the convertible redeemable preferred shares (in thousands)	—	69,640
Adjustments for unvested restricted share units and share options (in thousands)	3,986	10,386
	439,586	292,644
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)	439,586	292,644
Diluted earnings per share (expressed in RMB per share)	0.69	0.33

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	24,865	31,067
Additions		
— Remeasurement of equity interest in Shenzhen Zhizhanggui Cloud Service Co., Ltd. and its subsidiaries (Group as “ Zhizhanggui ”) (Note 23)	95,780	—
— Others	726	11,713
Share of losses	(5,540)	(4,265)
	115,831	38,515
At the end of the period	115,831	38,515

The associates and joint venture of the Group are private companies and there are no quoted market prices available for their shares. There were no contingent liabilities relating to the Group’s interest in the associates and joint venture as at 30 June 2021.

In June 2021, the Group entered into a sale and purchase agreement with Fushi Technology (Shenzhen) Co., Ltd (“**Fushi**”), an associate of the Group, pursuant to which the Group disposed 60% equity interest in Zhizhanggui, a then wholly owned subsidiary, for an aggregate consideration of RMB179,588,000. After the disposal, the Group retained 40% equity interest and significant influence over Zhizhanggui. Hence, such remaining equity interest was reclassified as investment in an associate and remeasured based on its fair value on the date of disposal which amounted to approximately RMB95,780,000. The differences between the fair value and the then book value, which was approximately RMB91,780,000, of the remaining 40% equity interest were recognised as part of total gain on disposal amounting to approximately RMB332,172,000 in profit or loss during the six months ended 30 June 2021. For details on the disposal of Zhizhanggui, refer to Note 23.

12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at 31 December 2020					
Cost	92,889	18,719	3,041	8,672	123,321
Accumulated depreciation	(40,013)	(9,948)	(1,327)	(6,748)	(58,036)
Net book amount	52,876	8,771	1,714	1,924	65,285
Unaudited					
For the six months ended					
30 June 2021					
Opening net book amount	52,876	8,771	1,714	1,924	65,285
Additions	831	5,392	963	21,295	28,481
Disposals	(1,846)	—	—	—	(1,846)
Depreciation charge	(11,657)	(2,502)	(298)	(2,713)	(17,170)
Currency translation difference	—	—	(17)	—	(17)
Closing net book amount	40,204	11,661	2,362	20,506	74,733
As at 30 June 2021					
Cost	90,234	24,111	3,981	29,967	148,293
Accumulated depreciation	(50,030)	(12,450)	(1,619)	(9,461)	(73,560)
Net book amount	40,204	11,661	2,362	20,506	74,733
As at 31 December 2019					
Cost	52,965	14,367	3,250	7,846	78,428
Accumulated depreciation	(26,433)	(6,076)	(801)	(5,264)	(38,574)
Net book amount	26,532	8,291	2,449	2,582	39,854
Unaudited					
For the six months ended					
30 June 2020					
Opening net book amount	26,532	8,291	2,449	2,582	39,854
Additions	—	628	—	876	1,504
Reassessment of lease terms	(3,579)	—	—	—	(3,579)
Depreciation charge	(4,699)	(1,782)	(325)	(907)	(7,713)
Currency Translation Difference	—	—	48	39	87
Closing net book amount	18,254	7,137	2,172	2,590	30,153
As at 30 June 2020					
Cost	49,386	14,995	3,250	8,722	76,353
Accumulated depreciation	(31,132)	(7,858)	(1,078)	(6,132)	(46,200)
Net book amount	18,254	7,137	2,172	2,590	30,153

13. INTANGIBLE ASSETS

	Goodwill (a) RMB'000	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
As at 31 December 2020						
Cost	307,408	77,800	2,843	1,300	2,200	391,551
Accumulated amortization and impairment	(5,524)	(17,327)	(1,414)	(108)	(122)	(24,495)
Net book amount	301,884	60,473	1,429	1,192	2,078	367,056
Unaudited						
For the six months ended 30 June 2021						
Opening net book amount	301,884	60,473	1,429	1,192	2,078	367,056
Additions	—	—	1,643	—	—	1,643
Amortization charge	—	(9,767)	(605)	(325)	(366)	(11,063)
Closing net book amount	301,884	50,706	2,467	867	1,712	357,636
As at 30 June 2021						
Cost	307,408	77,800	4,486	1,300	2,200	393,194
Accumulated amortization and impairment	(5,524)	(27,094)	(2,019)	(433)	(488)	(35,558)
Net book amount	301,884	50,706	2,467	867	1,712	357,636
As at 31 December 2019						
Cost	151,364	29,800	1,698	—	—	182,862
Accumulated amortization and impairment	(5,524)	(5,794)	(868)	—	—	(12,186)
Net book amount	145,840	24,006	830	—	—	170,676
Unaudited						
For the six months ended 30 June 2020						
Opening net book amount	145,840	24,006	830	—	—	170,676
Additions	—	—	928	—	—	928
Amortization charge	—	(4,967)	(275)	—	—	(5,242)
Closing net book amount	145,840	19,039	1,483	—	—	166,362
As at 30 June 2020						
Cost	151,364	29,800	2,626	—	—	183,790
Accumulated amortization and impairment	(5,524)	(10,761)	(1,143)	—	—	(17,428)
Net book amount	145,840	19,039	1,483	—	—	166,362

(a) The details of goodwill are as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Tuozhanbao	145,840	145,840
Shenzhen Leshua Shangquan Technology Co., Ltd. (“Leshua Shangquan”)	35,171	35,171
Beijing Chuangxinzhong Technology Co., Ltd (“Chuangxinzhong”)	120,873	120,873
Shenzhen Leshou Cloud Technology Co., Ltd. (“Leshou”)	5,524	5,524
Impairment of goodwill of Leshou	(5,524)	(5,524)
	<u>301,884</u>	<u>301,884</u>

(b) The amortization of intangible assets has been charged to the consolidated statement of profit or loss as follows:

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cost of revenue	4,967	4,967
Administrative expenses	6,096	275
	<u>11,063</u>	<u>5,242</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Current assets		
Investment in a listed entity (a)	<u>14,196</u>	14,133
Investment in unlisted entities (b)	163,223	42,000
Contingent consideration (c)	55,084	42,895
Others	<u>1,344</u>	—
	<u>219,651</u>	<u>84,895</u>
	<u>233,847</u>	<u>99,028</u>

Unaudited
For the six months
ended 30 June 2021
RMB'000

At the beginning of the period	99,028
Additions	106,039
Disposal	(3,737)
Changes in fair value	32,662
Currency translation differences	(145)
	<hr/>
At the end of the period	233,847
	<hr/>

- (a) The balance represented the Group's investment in equity interests of Joy Spreader Interactive Technology., Ltd. (6988.HK), a company listed on the Hong Kong Main Board of The Stock Exchange of Hong Kong Limited.
- (b) The balance primarily comprised the Group's investments in preferred shares of Fushi amounting to approximately RMB115,543,000 and the remaining balance comprised the investments in Hangzhou Shouzhan Technology Co., Ltd, Shenzhen Daqu Intelligent Technology Co., Ltd. and Shenzhen Park Chain Technology Co., Ltd.
- (c) The balance represented contingent consideration in relation to the acquisition of Tuozhanbao which occurred in June 2019.

The directors of the Company determined the fair value of the contingent consideration as at 30 June 2021 by applying probability weighted scenario analysis which was consistent with the methodology used in the valuation performed for the fair value as at 31 December 2020. During the six months ended 30 June 2021, gains on change in fair value of the contingent consideration amounting to approximately RMB12,189,000 (2020: RMB680,000) was recognized under "Other gains — net" in the condensed consolidated statement of comprehensive income.

15. TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	318,187	332,741
Less: Allowance for expected credit loss (Note 4.2)	(8,900)	—
	<hr/>	<hr/>
	309,287	332,741
	<hr/>	<hr/>

- (a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 30 June 2021. All the trade receivables balances were denominated in RMB.

- (b) The Group allows a credit period within 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	Unaudited As at 30 June 2021 <i>RMB'000</i>	Audited As at 31 December 2020 <i>RMB'000</i>
Up to 3 months	236,251	322,795
3 to 6 months	76,089	8,447
6 to 12 months	4,901	456
Over 1 year	946	1,043
	<hr/>	<hr/>
	318,187	332,741
	<hr/> <hr/>	<hr/> <hr/>

16. PREPAYMENTS AND OTHER RECEIVABLES

(a) Prepayments and other receivables in non-current assets

	Unaudited As at 30 June 2021 <i>RMB'000</i>	Audited As at 31 December 2020 <i>RMB'000</i>
Prepayments for:		
Leasehold improvement	—	8,250
Others	—	2,500
	<hr/>	<hr/>
Sub-total	—	10,750
	<hr/>	<hr/>
Other receivables		
Amounts due from related parties	137,876	—
Lease deposits	2,974	4,625
	<hr/>	<hr/>
Sub-total	140,850	4,625
	<hr/>	<hr/>
	140,850	15,375
	<hr/> <hr/>	<hr/> <hr/>

(b) Prepayments and other receivables in current assets

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Prepayments		
Prepayments for payment terminals	10,356	44,501
Prepayments to media publishers and advertising agents	34,717	29,503
Others	11,115	12,830
Sub-total	<u>56,188</u>	<u>86,834</u>
Other receivables		
Amounts due from related parties	135,894	64,121
Receivables from payment networks (i)	975,611	1,465,109
Security deposits in financial institutions	27,100	10,600
Payment network deposits	2,126	1,466
Loan receivables (ii)	548,034	396,930
Deposits placed with financial institutions	62,337	83,643
Others	29,157	28,326
Less: allowance for impairment of loan receivables (Note 4.2)	(25,903)	(16,550)
Less: allowance for impairment of amount due from Chao Meng (Note 4.2)	(29,834)	(21,504)
Sub-total	<u>1,724,522</u>	<u>2,012,141</u>
	<u>1,780,710</u>	<u>2,098,975</u>

- (i) The balance represent funds processed by the Group during the course of providing its one-stop payment services to merchants, which had been received by the payment networks, and would be then transferred to the respective merchants through the Group in accordance with the terms of agreements entered into between the Group and the merchants.
- (ii) The loan receivables mainly comprise entrusted loans and small-sized loans to various borrowers. The loans bore interest rate from 8% to 36% per annum and with lending periods of less than one year.

17. SHARE CAPITAL

	Number of shares	Nominal value	
		In USD	In RMB Equivalent
Issued shares at 31 December 2020	447,000,124	11,175	75,226
Less: shares held by restricted share units' nominees	(10,993,193)	(275)	(1,553)
Balance at 31 December 2020	436,006,931	10,900	73,673
Issued shares at 1 January 2021	447,000,124	11,175	75,226
Add: issuance of new shares to non-controlling shareholders of Chuangxinzong (Note 24)	4,902,718	123	796
Less: shares held by restricted share units' nominees	(7,874,497)	(197)	(1,015)
Balance at 30 June 2021	<u>444,028,345</u>	<u>11,101</u>	<u>75,007</u>

18 DIVIDENDS

No dividends have been paid or declared by the Company for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

19. SHARE-BASED PAYMENTS

(a) Share option schemes

In September 2020, the board of the Company proposed to adopt the share option scheme to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The proposal was approved by the general meeting of the Company in October 2020. The Company has granted two batches of share options to employees and directors, on 7 January 2021 and 12 May 2021, respectively. The granted share options are vested evenly within a 4-year period from vesting commencement.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	No. of options	Average exercise price per share option (HKD)
Outstanding as at 1 January 2021	—	—
Granted during the period	6,586,000	48.57
Forfeited during the period	(75,000)	44.20
Outstanding as at 30 June 2021	6,511,000	48.62
Exercisable as at 30 June 2021	—	—

The weighted-average remaining life for outstanding share options was 9.63 years as at 30 June 2021.

(i) Fair value of options

The Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date.

Other than the exercise price mentioned above, significant judgment on parameters required to be made by the directors, such as risk free rate, dividend yield and expected volatility, in applying the Binomial Model, are summarized as below:

	Unaudited As at 30 June 2021 RMB'000
Fair value per share	18.40HKD–22.86HKD
Exercise price	44.2HKD and 58.6HKD
Risk-free interest rate	0.76%–1.14%
Dividend yield	—
Expected volatility	40.13%–40.18%

The weighted-average fair value of granted shares was HKD48.62 per share for the period ended 30 June 2021.

The share-based compensation expenses recognized in the consolidated income statements for share options granted under the above mentioned share option schemes amounted to RMB20,392,000 for the six months ended 30 June 2021 (2020: nil).

(b) Share award schemes

Under a stock incentive plan approved by the board of directors of the Company, several batches of share options were granted to certain employees and directors in the years of 2013, 2016, 2017 and 2018, respectively.

In August 2019, the board of directors of the Company passed a resolution, according to which all outstanding options representing 8,527,346 shares of the Company granted under the share option plan were converted into 8,527,346 shares of Restricted Share Units (“RSU”) granted to the same option holders, who became eligible participants under such scheme (“RSU Scheme”). There was no modification of terms or conditions which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original share option plan. The Company granted additional 881,000 RSUs to other participants in August 2019 under RSU scheme.

Details of RSUs are as follows:

Grant date (yyyy/mm/dd)	Number of RSU after share subdivision	Vesting period	Exercise price (in USD)	Expiration terms
2013/1/1	5,514,696	1 year	0.000025	15 years from date of grant
2016/2/1	20,194,688	11 months	0.000025	Same as above
2017/1/1	5,120,000	1 year	0.000025	Same as above
2018/1/1	3,280,000	To be vested evenly within a 4-year period from vesting commencement	1.06	Same as above
2019/8/1	3,524,000	To be vested evenly with in a 4-year period from vesting commencement	1.62	Same as above
2021/1/7	390,000	To be vested evenly with in a 4-year period from vesting commencement	16.64HKD	Same as above

The share-based compensation expenses of share award schemes recognized during the six months ended 30 June 2021 and 2020 are summarised in the following table:

	Unaudited	
	For the six months ended 30 June 2021 RMB'000	2020 RMB'000
RSU Schemes		
— value of employee services	6,638	7,000

- (i) Movements in the number of RSUs outstanding and their related exercise prices:

	Average exercise price (RMB)	Number of RSUs
Outstanding balance as at 1 January 2021	9.49	4,143,000
Granted during the period	13.87	390,000
Vested during the period	6.93	(810,000)
		<hr/>
Outstanding balance as at 30 June 2021	10.51	3,723,000
		<hr/>
— Exercisable as at 30 June 2021	—	—
Outstanding balance as at 1 January 2020	6.59	9,408,346
Effect of share subdivision	—	28,225,038
Vested during the year	0.62	(33,250,384)
Forfeited during the year	8.58	(240,000)
		<hr/>
Outstanding balance as at 31 December 2020	9.49	4,143,000
		<hr/>

In January 2021, 810,000 shares in RSU were transferred to the awardees upon vesting.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2021 was HKD27.56 per share (equivalent to approximately RMB22.97 per share) (2020: N/A).

20. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Trade payables (a)	138,028	240,241
Amounts due to related parties	15,008	90,000
Deposits from distribution channels (b)	66,170	55,165
Payables to merchants (c)	1,437,734	1,415,108
Employee benefit payables	35,703	44,281
Individual income tax	1,118	148,310
Other taxes payables	10,237	11,447
Entry fees received from distribution channels (d)	3,290	11,785
Payables to creditors (e)	—	6,582
Payables for investment in financial assets at FVPL	7,500	—
Others	34,159	24,265
	<hr/>	<hr/>
	1,748,947	2,047,184
	<hr/>	<hr/>

- (a) Trade payables mainly represent amounts due to suppliers for purchase of payment terminals and other equipment, commission payable to distribution channels for one-stop payment services and processing fees payable to payment networks and financial institutions.

As at 30 June 2021 and 31 December 2020, the aging analysis of trade payables based on the invoice date was as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 <i>RMB'000</i>
Up to 3 months	58,981	160,610
3 to 6 months	15,729	50,547
Over 6 months	63,318	29,084
	138,028	240,241

- (b) The amount represents refundable deposits placed by distribution channels with the Group when they signed up the distribution channel agreements with the Group. It would be refunded to the respective distribution channel upon expiration of the agreements.
- (c) The balance represents funds processed by the Group for merchants, which are required to be settled with merchants upon the respective contractual settlement clearance dates.
- (d) The amount represents one-off and upfront entry fees received from distribution channels, which is credited to profit or loss to off-set cost of revenue — commission to distribution channels using the straight-line method over the expected beneficial period of 3 years.
- (e) The balance represents fund raised from third party creditors in relation to the small-sized retail loans granted to customers. The balance bore interest at a rate of 8.0% to 8.5% per annum.

As at 30 June 2021 and 31 December 2020, trade and other payables were all denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

21. BORROWINGS

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 <i>RMB'000</i>
Current		
Bank borrowings — guaranteed	265,400	211,000

As at 30 June 2021 and 2020, bank borrowings were guaranteed by the Company and certain subsidiaries of the Group. For the six months ended 30 June 2021, these bank borrowings bore effective interest rate of 4.7% (2020: 5.5%) per annum.

22 . FINANCIAL LIABILITIES AT FVPL

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Contingent consideration and others	80,629	77,243

The movement of the financial liabilities at fair value through profit or loss is set out below:

	Unaudited
	For the
	six months
	ended
	30 June 2021
	RMB'000
Opening balance	77,243
Changes in fair value	4,545
Currency translation differences	(1,159)
Closing balance	80,629

23. DISPOSAL OF FORMER SUBSIDIARIES

In June 2021, the Group entered into a sale and purchase agreement with a related party, Fushi, pursuant to which the Group sold 60% equity interest of Zhizhanggui, which is a software-as-a-service (“SaaS”) service provider, to Fushi for an aggregate consideration of RMB179,588,000, which comprised cash consideration of RMB100,000,000 and Fushi preferred shares amounting to RMB79,588,000.

The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

The disposal was completed on 28 June 2021. After the disposal, the Group retained significant influence in Zhizhanggui. Therefore, the Group’s remaining 40% equity interest in Zhizhanggui were reclassified as an investment in an associate and it had been remeasured to its fair value on the date of disposal.

The following table summarises the consideration to be received by the Group for the aforementioned disposal, the carrying amount of the assets and liabilities disposed on the date of disposal:

	Unaudited As at 30 June 2021 <i>RMB'000</i>
Consideration receivable:	
Cash to be received	100,000
Fair value of Fushi's preferred shares	79,588
	<hr/>
Total consideration for disposal	179,588
	<hr/>
Add: Carrying amount of net liabilities disposed, comprising:	
Cash and cash equivalents	(13,558)
Trade receivables	(14,220)
Prepayments and other receivables	(45,015)
Inventory	(11,917)
Other current assets	(1,562)
Trade and other payables	137,978
Current income tax liabilities	67
Contract liabilities	5,031
	<hr/>
	56,804
	<hr/>
Add: Remeasurement of the Group's remaining 40% equity interest in Zhizhanggui (Note 11)	95,780
	<hr/>
Gain on disposal	332,172
	<hr/> <hr/>

24. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The impact of transactions with non-controlling interests during the six months ended 30 June 2021 were as below:

	Debit to other reserves <i>RMB'000</i>	(Credit)/ debit to non-controlling interests <i>RMB'000</i>	Total net debit to Equity <i>RMB'000</i>
For the six months ended 30 June 2021			
Acquisition of additional interest in a non-wholly owned subsidiary — Chuangxinzhong (Note (a))	122,666	46,163	168,829
Acquisition of additional interest in a non-wholly owned subsidiary — Leshua Shangquan (Note (b))	17,480	(4,480)	13,000
	<hr/>	<hr/>	<hr/>
	140,146	41,683	181,829
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(a) Acquisition of additional interest in Chuangxinzhong

On 23 April 2021, the Group completed the acquisition of additional 42.5% equity interest in Chuangxinzhong at a consideration of RMB170,000,000, which resulted in an increase of 42.5% on the Group's holding interest in Chuangxinzhong from 42.5% to 85%. The consideration comprised partially cash consideration of RMB15,000,000; and partially the allotment and issuance of 4,902,718 ordinary shares of the Company at the issue price of HKD37.50, the fair value of which amounted to approximately HKD183,852,000 (approximately RMB153,829,000), to the founders of Chuangxinzhong. After netting off these gross proceeds with share issuance costs amounting to approximately RMB974,000, the respective share capital amount was approximately RMB1,000 and share premium arising from the issuance was approximately RMB152,854,000. As at 30 June 2021, the aforementioned 4,902,718 shares had already been issued and the cash consideration of RMB15,000,000 was not yet settled.

The Group recorded a debit of approximately RMB46,163,000 to non-controlling interests and a debit of approximately RMB122,666,000 to other reserve.

	Unaudited For the six months ended 30 June 2021 <i>RMB'000</i>
Carrying amount of non-controlling interests acquired	46,163
Less:	
Non-cash consideration paid by issuance of shares	(153,829)
Cash consideration payable to non-controlling interests	(15,000)
	<hr/>
Excess of consideration paid to non-controlling interests recognised within equity	(122,666)
	<hr/>

(b) Acquisition of additional interest in Leshua Shangquan

On 31 March 2021, the Group entered into a sale and purchase agreement with the non-controlling shareholder of Shenzhen Leshangquan Technology Co., Ltd., to acquire 10% equity interest in Leshua Shangquan at a cash consideration of RMB13,000,000.

The Group recorded a credit of approximately RMB4,480,000 to non-controlling interests and a debit of approximately RMB17,480,000 to other reserves.

	Unaudited For the six months ended 30 June 2021 <i>RMB'000</i>
Carrying amount of non-controlling interests acquired	(4,480)
Less: consideration paid to non-controlling interests	(13,000)
	<hr/>
Excess of consideration paid to non-controlling interests recognised within equity	(17,480)
	<hr/>

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Shares

Other than the allotment and issue of 4,902,718 consideration shares for the acquisition of the entire issued share capital of CHUANGXINZHONG LTD, neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities for the six months ended June 30, 2021.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board is of the view that for the six months ended June 30, 2021 and up to the date of this announcement, the Company has complied with most of the code provisions as set out in the CG Code, except for the deviation from code provisions A.2.1 as explained below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The roles of chairman of the Board and chief executive officer of the Company are held by Mr. LIU Yingqi. In view of Mr. Liu's experience, personal profile and his roles in our Company, and the fact that Mr. Liu has assumed the role of chief executive officer of our Company since 2011, the Board considers it beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group that Mr. Liu acts as the chairman of the Board and continues to act as the chief executive officer of our Company.

While this will constitute a deviation from code provision A.2.1 of the CG Code, the Board believes this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Liu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code for the six months ended June 30, 2021.

The Board has also adopted written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company’s relevant employees had been noted for the six months ended June 30, 2021.

Audit Committee and Review of Financial Information

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Yao Wei (Chairman), Mr. Tam Bing Chung Benson and Mr. Yang Tao (with Mr. Yao Wei and Mr. Yang Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the Auditor, has reviewed the Group’s unaudited Interim Financial Information for the six months ended June 30, 2021. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://www.yeahka.com/>). The interim report of the Company for the six months ended June 30, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and made available on the same websites in due course.

By order of the Board
YEAHKA LIMITED
移卡有限公司
Liu Yingqi
Chairman

Hong Kong, August 26, 2021

As at the date of this announcement, the executive Directors are Mr. Liu Yingqi, Mr. Yao Zhijian, and Mr. Luo Xiaohui, the non-executive Directors are Mr. Mathias Nicolaus Schilling and Mr. Akio Tanaka, and the independent non-executive Directors are Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao.